



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

David T. Terry
Director

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File/M/003/031

March 11, 1997

William Bown
842 West 499 North
West Bountiful, UT 84087

RE: Notice of Intent to Commence Mining; ML 44791 and ML 46786--BSLS

Dear Mr. Bown,

Thank you for your March 3, 1997, Notice of Intent to commence mining upon the state Trust lands within the above numbered leases. I understand that you will not significantly disturb the surface of the leased lands. No mining excavations will occur upon the leased lands because you will access the work sites via existing roads and the leased substances will be extracted only from presently exposed talus slopes and rock outcrops. Such plan of mining is acceptable to the Trust Lands Administration, but clarification is needed regarding the measurement and accounting for the leased substances which will be produced.

As you are aware, Article VI of the lease agreement stipulates that Lessee shall pay Lessor a production royalty on the basis of 5% of the gross value of the leased substances which are sold. Prior to the commencement of mining, please provide me with an explanation of how you propose to measure and provide the Trust Lands Administration with an accurate accounting of the leased substances which are produced. Your proposal should include the submittal of weight tickets and sales receipts, or some other method which will enable the lessor to monitor production and royalty accruing to the lease. A royalty payment bond may be required.

Notwithstanding any approvals given by the Trust Lands Administration as Lessor, Article III of the lease agreement requires that you also fully comply with the requirements of the Utah Division of Oil, Gas & Mining and all other government agencies governing mining activity upon the leased lands. Please contact Mr. Lynn Kunzler, DOGM, if you have any questions regarding DOGM regulations in this matter.

Sincerely,

John T. Blake
Mineral Resources Specialist

cc: Lynn Kunzler